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Beyond Crisis – The Future of Global Order(s)

**Documentation of the International Conference
July 1 and 2, 2010 in Bonn**

IMPRESSUM

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United Nations Association of Germany



Development and Peace Foundation



Institute for Development and Peace

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Text: Elena Hesselmann

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This brochure documents the presentations and major comments made in the course of the conference "Beyond Crisis: The Future of Global Order(s)" which was held on July 1st and 2nd 2010 at the 'LVR Landesmuseum' and the 'Haus der Evangelischen Kirche' in Bonn.

The conference gathered international economic and social scientists, policy-advisors and members of national and international organizations to engage in a lively debate about the changes the recent financial and economic crises has triggered. Among the main purposes was to examine emerging new global orders and to critically review existing global institutional structures in issue areas like global finance and economy, security and development. Participants were also invited to reflect upon the current and future role of the UN and other international organizations. A recurrent theme was that the pluralization of actors and forms of governance challenges the traditionally focal role of the UN in international discourses and decision-making. The call for an expanded and intensified collaboration between public and private actors and civil society was also the main message of the **key note speech** by Kilaparti Ramakrishna.

Participants of the **Roundtable "Between Multilateral Cooperation and Power Politics - Power Shifts and the Evolution of New Global Orders"** addressed changes in global configurations of power and governance forms. Inputs reflected on the loss of importance of the G8 and the emergence of the G20 as a governance mechanism that shows both – features of power politics and multilateralism. **Session 1 on "Economic and Social Coping Capacities - Are the Existing Global Institutional Structures Adequate for Solving Current Problems?"** started with the thesis that capacities are decidedly deficient and that international organizations are being criticized for a lack of openness and effectiveness in providing global public goods. Panelists discussed steps to overcome this installment and possible paths of reform. **Session 2 "Brave New World? - Concepts and Strategies for a New Global Economic and Financial Order"** highlighted that while symptoms of the crisis are being tackled structural problems of the international financial system have rarely been addressed until now. Panelists of **Session 3 "Changing Normative Orders and Institutional Structures in Security Governance"** reflected on the changed and broadened understanding of security on the one hand and experiences in the field on the other. In **Session 4 "Beyond MDGs - The Future of Development Policy and Politics"** panelists assessed successes and shortcomings of the MDG project and presented their thoughts about a post-MDG agenda. The **Wrap-up** brought to the fore three main topics around which many discussions of the conference had revolved: power shifts and different governance mechanisms, questions of legitimacy and how to cope with crises.



Participants of the conference (photo left) listen to the Roundtable with Andrew F. Cooper, Dirk Messner, Andreas Ross, Elizabeth Sidiropoulos and Volker Rittberger (photo right, from left to right).

After a warm welcome by **Dr. Gabriele Uelsberg**, Director of the LVR Landesmuseum Bonn, **Dr. Beate Wagner**, General Secretary of the United Nations Association of Germany (DGVN), opened the conference. She thanked the Development and Peace Foundation (SEF) and the Institute for Development and Peace (INEF) for the good collaboration and the German Federal Ministry for Economic Cooperation and Development (BMZ) for financial support.

Beate Wagner emphasized that while the topic of the conference could have been "The Order of the UN" the **organizers decided on purpose to choose a broader approach embracing other concepts and discussions**: "With 'Beyond Crisis - The Future of Global Order(s)' the conference wants to examine emerging new global orders and to critically review existing global institutional structures and orders in issue areas like global finance and economy, security and development." Beate Wagner illustrated that "while states remain central actors in global governance, in some fields the role of states is diminished as a look at Internet Governance Fora shows." Even the UN cannot be regarded as consisting only of states; on the contrary, the influence e.g. of secretariats and bureaucrats should not be underestimated.



Beate Wagner and Jürgen Zattler.

Dr. Jürgen Zattler, Head of the Directorate for Multilateral and European Development Policy at BMZ congratulated the organizers for **choosing a timely and important topic**. He stressed that the **financial crises has triggered many changes** and elaborated on two of them. "Firstly, we are witnessing a **power shift** which in economic terms shifts from the North to the Eastern and Southern Areas and in political terms from states to private and semi-private actors (e. g. networks and philanthropists). Secondly, **systemic risks** as pandemics and conflicts as well as demographic trends and urbanization are increasing which put pressure on societies and ecosystems."

He argued that while the G20's efforts to regulate and manage the effects of the crisis could be regarded as quite successful, the **search for and analysis of the causes**

had come only half-way. In his opinion the Stiglitz Commission¹, in which Jürgen Zattler participated, chose a broader agenda and took a look at structural deficiencies and especially into the situation of Southern countries. While results already went into the UN decision-making process Jürgen Zattler cautioned that "we are in the midst of a process of change" and much remains to be done.

Dr. Cornelia Ulbert, Executive Director of INEF and Member of the Research Council of the DGVN, reflected on the topic of the conference. Looking back at the creation of the G7 in 1975 Cornelia Ulbert stressed that while it was established to successfully cope with the dissolution of the monetary system it soon started to increasingly embrace other issues: "What began as a well-styled club of rich nations soon became an influential global governance mechanism."

She elaborated that with the crisis and even before, a change in governance could be witnessed as **more and more topics have been dealt with by the G8 and subsequently the G20.** While this might be interpreted as a trend of a **broadened, but at the same time still selective multilateralism**, there are also new forms and trends of governance which are undertaken by private-private or private-public arrangements. "Some of them might be inclusive, others are not and until today we do not know what effects these developments have in terms of our understanding of global democracy and accountability", Cornelia Ulbert said.

Cornelia Ulbert then introduced the key note speaker, **Kilaparti Ramakrishna, Ph.D.**, Policy Advisor in the office of the Executive Director of the UN Environment Programme (UNEP) in Nairobi, Kenya. Kilaparti Ramakrishna explicitly shared his comments not in the name of the UN but from a very personal perspective as someone who has worked for the UN in different positions and offices for a long time.

In his keynote he zoomed in on the UN and UNEP in specific and called for **more emphasis on the cooperation with civil society.** He argued that the establishment of the UN stemmed from the conclusion that global issues are best dealt with not by a handful of powerful individuals and countries but by multilateral institutions. "Yet, today the bottom line is that the UN has with its work not succeeded to reach a majority of the world population – despite all the money, knowledge and decades of experience." Kilaparti Ramakrishna saw the main cause in the fact that the domestic level, the people in the

¹ Commission of Experts, established by the President of the United Nations General Assembly in February 2008 and headed by Joseph E. Stiglitz with the mandate to reflect on the causes of the crisis, assess impacts on all countries and suggest adequate responses as to avoid its recurrence and restore global economic stability. For the final report, released in September 2009, view http://www.un.org/ga/econcrisissummit/docs/FinalReport_CoE.pdf.

countries, is to a large extent still being ignored. He added that UNEP stems from the idea that the cooperation of states is not enough and that civil society actors are needed to solve the question how the ecosystem can be used to contribute to sustainability and poverty reduction. Collaboration between public and private actors and civil society is crucial was his key message which he highlighted with a formula he introduced:

Nature + regulation *by states* = hunger
Nature + technology *introduced by private actors* = plunder
Nature + technology + regulation = **sustainability**

"Although the UN establishes bridges to other actors they remain limited", he continued. Yet, to ensure the ability to respond in a robust, coherent and timely manner to challenges that people face, Kilaparti Ramakrishna called upon the conference participants to think beyond multilateralism and international collaboration, and instead to focus on people, what they think and how they are affected.



Key note speaker Kilaparti Ramakrishna.

Between Multilateral Cooperation and Power Politics - Power Shifts and the Evolution of New Global Orders

Prof. Andrew F. Cooper, Associate Director and Distinguished Fellow at the Centre for International Governance Innovation (CIGI), Professor of political science at the University of Waterloo, Canada.

Prof. Dr. Dirk Messner, Director of the German Development Institute (DIE), Bonn, Germany.

Prof. Volker Rittberger, Ph.D., former Chairman of the German Foundation of Peace Research (DSF), Osnabrück, Germany, Professor emeritus of political science at the University of Tübingen, Tübingen, Germany.

Elizabeth Sidiropoulos, National Director of the South African Institute of International Affairs, Johannesburg, South Africa.

Moderation: Andreas Ross, Frankfurter Allgemeine Zeitung.

Panelists addressed changes in global configurations of power and governance forms. Inputs reflected on the loss of importance of the G8 and the emergence of the G20 as a governance mechanism that shows both – features of power politics and multilateralism. International politics suffer from a crisis of global leadership and resurgence of nationalism. A better understanding among key actors and the accommodation of new and a broad range of perspectives into processes of global governance were thus found to be crucial challenges ahead. Panelists agreed that a pluralization of actors and parallel structures of decision-making have reduced the UN system to a vehicle of implementation after decisions have been negotiated elsewhere. The inclusion of other forms of governance and multi-stakeholder arrangements into the UN system was found to be the key for a re-invigorated role for the UN.

Prof. Andrew F. Cooper focused his comments on the emergence and current situation of the **G20**. He began by highlighting some **puzzling aspects** of “this governance form which has come into power rather quickly”:

- **Membership:** Who really is a member of the G20 often remains elusive.
- **Lack of resistance:** There is no open rejection to the G20 and even the UN Stiglitz Commission did not change that impression. On the contrary, although it is rather surprising but “all seem to want to belong” to G20.
- **Constituency:** It remains unclear which client base the G20 serves or strives to reach.

The G20 is a club with limited and selective membership and at the same time it has potential to promote network governance. However, Andrew Cooper emphasized that even within this hub we see a **resurgence of power politics**. “The United States sense that they own the G20 and choose this forum because it includes many allies. Within the European Union another form of power struggles occurs about unsolved questions of representation and coordination while the emerging countries build up their own coalitions and power reserves.” Hence, he sees the G20 as torn between features of power politics and multilateralism. Yet, he finds, that its only reason for existence lies in a more inclusive approach and broader agenda. Andrew Cooper concluded by putting forward the

hypothesis that despite these reservations, the G20 represent a global acknowledgement of interdependence and the necessity for global governance.

Prof. Dr. Dirk Messner shed a different light on current trends in world politics. He regarded recent development not as moving forward towards more global governance but as a process of re-nationalization under the guise of and within the framework of multilateralism. "Countries focus on national problems and are embedded in internal crises management. Instead of a group of countries that push the global agenda forward we face a **global leadership crisis**." To overcome the risk that the processes of global governance and globalization might actually fail Dirk Messner elaborated on some **key challenges ahead**:

- **Knowledge:** How to learn to better understand one another in order to produce trust.
- **Time horizon of solutions:** How to cope with long term issues within institutions which are not well prepared to cope with long-term tasks.
- **Speed of reactions:** Reacting quickly is vital, yet international negotiations and decision-making is time consuming. Which kind of innovations do we need to speed up international reactions?
- **Preventive actions:** It seems that only crises put enough pressure on global decision-making to produce results. How can we learn to act based on knowledge in a preventive manner instead?



Dirk Messner and Volker Rittberger.

Prof. Volker Rittberger, Ph.D., presented in his input thoughts on governance innovations beyond state-centric notions and understandings. "Globalization has set free capabilities of many actors that do not fall under traditional categories." He found that while interstate cooperation through multilateral institutions will continue to be a vital component of global governance a transformation of the institutional shape of multilateralism from exclusive executive multilateralism to more open and even inclusive multilateralism is becoming more evident.

To illustrate the **pluralization of actors and institutional forms of global governance** Volker Rittberger referred to the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) which is based upon the participation of a large variety of actors affected by the problem and by the rule-making and distributive decisions reached for dealing with it. The highest organ of the Global Fund, the Global Fund Board, is composed of representatives of developing and donor countries, (I)NGOs, private foundations and businesses as well as representatives of international organizations (UNAIDS, World Health Organization, World Bank Group). In his opinion, these inclusive multipartite institutions address and, to some extent, even help to solve the **output and input legitimacy deficits** of "classic" state-centric intergovernmental multilateralism, as for instance with regard to the G8 and G20 with their "huge and massive participatory gaps".

Elizabeth Sidiropoulos, National Director of the South African Institute of International Affairs, Johannesburg, South Africa, sought to bring in some thoughts from the global south. The starting point of her remarks was the question: What do we hope for and **what type of global order shall be achieved?** She mentioned three aspects: firstly, a more democratic and legitimate order; secondly, a more stable order and thirdly, a peaceful and secure order. From this perspective, trends should be judged in reference to whether they make these goals more or less likely. Elizabeth Sidiropoulos focused on two **major (structural) challenges** that precede global decision-making processes. First, vast differences in the interests of countries involved. Second, vast differences in the understanding of key terms and goals.



Elizabeth Sidiropoulos.

Differences in interests: Elizabeth Sidiropoulos explained that while developing countries as the traditionally weaker countries have always tended to advocate for more rule-based institutions and global governance especially today, they are far from

constituting a homogenous group. One also has to consider the differences between the southern countries with regard to their position in international politics and their interests. "The top level of southern states might have an interest in perpetuating the power situation and will not necessarily contribute to bettering the situation for other southern states." At the same time, 'big players' as China and India would still show a mentality of southern solidarity. Among the Southern "middle powers" there are countries that follow an independent line (e.g. South Africa), some which are more aligned with 'the West' and reform proposals which are perceived as proposed by the West and others that are openly against it. The poorest countries in the South have an impact on global governance mostly because their crises have regional and global effects. "While these different groups of southern countries have – at times – compatible interests among themselves and with Western countries it remains a key challenge to accommodate new and a broad range of perspectives into processes of global governance."

Differences in understanding: The different meanings and connotations concepts as human rights and development carry in different countries lead to conflict, Elizabeth Sidiropoulos argued. For example, the question of more legitimacy revolves not only around the question if everybody is represented but is also entangled with the concern that more democracy might not make global governance more effective.

Opening the **roundtable discussion** moderator **Andreas Ross** took up one of the key themes of the inputs – the **diminishing importance of the G8** – and asked whether we should actually feel sorry for losing the G8. Andrew Cooper and Dirk Messner concurred that the G8 has failed to adapt to changing times and has often neglected pressing topics. Furthermore, they questioned whether it still presents a viable governance format as more countries than the 'old powers' are needed to solve global problems. However, Andrew Cooper referred to an aspect he mentioned before and pointed out that "while the G20 appears to be an artificial construct working on technical issues, the **G8 has a constituency**. It is acknowledged as dealing with highly political questions. Wherever it meets, it creates a vibrant and tension-filled atmosphere and we see civil society engaged in protest and dialogue." According to Dirk Messner it is important to bear in mind that the **G20 is not stable or fixed** and might eventually evolve into another form of governance if proved too big or ineffective.

Andreas Ross then turned to **Volker Rittberger**'s remarks and asked **which future he saw for the UN** and the task to "deliver as one". Volker Rittberger emphasized that today we are no longer in a period dominated by a hegemon but move into a period of non-polarity which might even result in chaos and anarchy. Following his thoughts the integration of the UN into future governance orders could take two distinct paths: Firstly, **executive multilateralism** which would imply to reactivate already existing institutions and which would require leadership in thinking and programming. Secondly, the **inclusion of other forms of governance and multi-stakeholder arrangements** into the UN system.



Addressing **Elizabeth Sidiropoulos** Andreas Ross took up this last point and asked what in her point of view was left for the UN. Elizabeth Sidiropoulos' current perception was that there seemed to be a consensus among powerful countries to use the UN only as a **vehicle to feed decision back into the mechanisms of multilateralism after they have been taken elsewhere**. "At the moment, there are parallel structures of more exclusive forms of decision-making and multilateral mechanisms of implementation. Against this background the G20 might be regarded as a motor to move multilateralism forward." This topic was taken up again during the following **Question and Answer session**.

Dirk Messner reinforced in accordance with demands formulated before, that the **G20 should not strive to substitute the UN but to push for reform**. Moreover, he called for improved coordination to solve the danger of fragmentation of funding, for instance with regard to development issues. Two key themes were brought up during the discussion: Volker Rittberger asked conference participants not to reduce their thinking about power shifts only to 'hard' power but to **think of 'soft' and ideational power** as

well. Furthermore, Andrew Cooper and Elizabeth Sidiropoulos agreed that “a **better and personal understanding** among individual leaders as well as states are crucial for crises management and global governance”.



Andrew F. Cooper, Dirk Messner, Andreas Ross and Elizabeth Sidiropoulos (from left to right) during the Question and Answer Session.

Economic and Social Coping Capacities - Are the Existing Global Institutional Structures Adequate for Solving Current Problems?

Dr. Morten Bøås, Head of research of the Fafo Institute for Applied International Studies, Oslo, Norway.

Dr. Inge Kaul, Adjunct Professor at the Hertie School of Governance, Berlin.

Prof. Dr. Renate Mayntz, Director Emeritus, Max Planck Institute for the Study of Societies, Cologne.

Dr. Jürgen Zattler, Head of the Directorate for Multilateral and European Development Policy, Federal Ministry for Economic Cooperation and Development (BMZ), Berlin.

Moderation: **Dr. Norman Weiss**, Human Rights Centre of the University of Potsdam, Coordinator of the Research Council of the United Nations Association of Germany (DGVN).

Panelists turned their attention to the question whether existing global institutions are capable of solving problems like climate change or the current financial and economic crisis. They concurred that capacities are decidedly deficient. International organizations are being criticized for a lack of openness and effectiveness in providing global public goods. Moreover they find themselves confronted with states that pursue particularistic national interests. Key steps to overcome this installment were seen in changing actors' perceptions of interests and working together with academia and civil society in order to evoke and spread a 'sense of urgency'. Creating an environment that shows lesser tolerance for countries that let changes and chances pass might create positive incentives for states to include externalities into a concept of 'responsible sovereignty'. Reforming international institutions was highlighted as an urgent task ahead: Reform on a lower scale and limited to sub-fields of cooperation which could trigger change on a larger scale and a rethinking of notions of representation were ideas the panelists brought forward.

Referring to the panel's key question if existing institutions are adequate for solving the current crisis **Prof. Dr. Renate Mayntz** summarized that after the roundtable discussion the previous evening, all agreed that **capacities are decidedly deficient** and that the governance structure – itself highly diversified functionally and institutionally fragmented – is part of the problem. She invited the workshop participants to move the analysis beyond the analysis of the institutions and to take a closer look at the **nature of problems**. In her words, “the causal analysis of a problem is the *condition sine qua non* of designing viable policy”. Along three dimensions – causal, impact and coping structure – she suggested to differentiate several types of problems:

Differentiating types of problems along three dimensions:

Whose problem is it? *Causal structure*

Who or what causes it? *Impact structure*

Who has the potential and capacity to solve it? *Coping structure*

Renate Mayntz argued that in an ideal situation, all dimensions would fall together and the person whose problem it was, would be the one who caused it and who at the same time would be able to solve it. Yet, “an important aspect of globalization is the **widening gap between the scope of impact and the structure of coping**”: An increasingly global scope of

many problems is accompanied by a decreasing scope of action for nation-states. The ones being affected most severely are not able to solve a problem while states which would be able to solve a problem are not affected by it. Furthermore, while we have problems on a global level, coping resources are concentrated on national levels and solutions are dependent on delegated decision-making powers to higher levels, Renate Mayntz went on. Thus, "we witness a '**joint decision trap**' where those who have the power and those who could agree, are not interested to agree on things that would impact negatively on what they perceive as their national interests." She added, that the same holds for NGOs which are mostly striving for a singular goal and have no interest to compromise their agenda for agreeing on other issues. "The solution lies in **changing of the perceptions of interests** from *national* to *collective*, in the introduction of mechanisms to make those who cause a problem suffer from the consequences as for instance via liability clauses and in an intensified involvement of global public policy networks. In this sense a crisis can serve as a window of opportunity to make people act together and to overcome their conflicts of interests."



Renate Mayntz and Morten Bøås.

Dr. Morten Bøås in his presentation emphasized that multilateral institutions are more than the sum of member states and that one important task they are fulfilling is '**framing**'. "By providing frames they make it easier to reduce complexity and isolate certain issues." He said that while multilateral institutions have been effective in putting frames on things and issues, trust in them has traditionally been small. Morten Bøås suggested that the multilateral system may be in the process of becoming an arena for encounters between different forces in which multilateral institutions become nodal points in complex networks of governance, rather than a system constituted mainly by state actors. '**Framing**' and thereby **facilitating dialogue** would support their credibility and trustworthiness. The current crisis of multilateral institutions should be taken seriously and cuts in funding and political attention following the financial crisis might even worsen their situation. "A **reform agenda** which focuses the institutions' attention to livelihood situation is needed, otherwise

multilateral institutions will become shallow graves.”

Dr. Inge Kaul began with the observation that it seems as if the world is caught in a web of global crises, “as we are breathless because we are rushing from crisis to crisis”. Many factors come into play but Inge Kaul focused on one root cause, the **lack to provide global public goods (GPGs)**. Importantly, on the international level, states appear as quasi private actors. They pursue particularistic national goals and are tempted to easy- or free-ride. When it comes to climate change and the aid system, all are engaged and active in adopting goals and resolutions but keep numb about financing and implementation.



Inge Kaul.

Departing from Renate Mayntz’ proposal to create sanction mechanisms, Inge Kaul suggested to think instead of **positive incentives**. “One important option could be international venues that are more participatory and competitive and create lesser tolerance for countries that let changes and chances pass and that allow for more debates about externalities.” More concretely Inge Kaul cautioned not to broaden the agenda of the G20 but to have **special G20s on working levels** for special issues gathering key players and bringing together world perspectives on specific issues. As a second proposal she introduced the concept of responsible sovereignty that would add the dimension of **external responsibility** for instance not to create undesired externalities across borders. For this purpose a close and informed involvement of civil society and academia would be crucial to gather the knowledge and attention necessary. Lastly, she called upon scholars to work on a **solid theory on global public economics and finance**.

Dr. Jürgen Zattler took up the notion of GPGs and noted a higher frequency of shocks and that crises are more easily transmitted. As deficiencies of the global governance system he highlighted a lack of incentives and a lack of operational efficiency. “The latter combined with the feeling of not being well represented leads to a global legitimacy deficit. While there is a strong need of a legitimate, efficient and operational global governance framework, existing institutions as the UN reveal that much needs to be done.” Jürgen Zattler argued that **reform on a lower scale** and within specific issue field (e. g. development) might trigger changes on a larger scale. One crucial question remains what mechanisms could help to overcome the lack of representation prevailing in many organizations.

Moderator **Dr. Norman Weiss** followed Jürgen Zattler’s deliberations on **legitimacy**

and looked at several international organizations. “The World Bank and the International Monetary Fund can be regarded as being efficient. Still, to increase their legitimacy would probably require them to be regarded as acting more responsibly.” Referring to the G20, Norman Weiss argued that it still needed to prove its effectiveness while representation mechanisms were deficient: “Linking it to other institutions might help.” Summarizing the presentations, Norman Weiss found that while all of them dealt with deficiency it often remains unclear what exactly is understood as efficiency. “Furthermore, it remains an unsolved problem to solve structural problems and to deal with complexity. Civil society is needed to make problems known and governance networks might become an answer to some of the challenges we face with regard to representation and legitimacy of international organizations.”



Morten Bøås, Inge Kaul, Moderator Norman Weiss, Renate Mayntz and Jürgen Zattler during the Questions and Answer Session.

He then opened the **Question and Answer Session** by asking the panelists to further enlarge on their proposals and ideas on how to solve some of the problems mentioned. Inge Kaul, also answering questions of the audience, responded and repeated that “we need to find mechanisms to tame states that then tame markets. International conferences might constitute a starting point to create openness, competition and thereby **positive incentives for states to ‘look better’** when acting responsibly.” With regard to the G20, Inge Kaul stressed that a lot depended on its future identity and whether it assumed a self-image as ‘the guardian of global well-being’.

Morten Bøås said that multilateral institutions were very successful in **turning political questions into technical questions**. “At the same time, all of them are deeply political which is the reason for differences in opinion.” He pointed out that the international system

was foremostly a **negotiating system** and that it was therefore difficult to push sanctions via these channels. Inge Kaul, in turn, argued to break large and highly political issues as poverty reduction and climate change down into smaller and more technical topics that would be better suited for discussion and collective problem-solving. Renate Mayntz agreed that to build effective institutions depends on willingness and capacity and that implementation is currently hindered by conflicting interests. However, she pointed out that **interests are subject to change and incentives**, and sanctions and knowledge are the key for changing them. “Science creates and defines problems and establishes causes and solutions.” Jürgen Zattler in his final remarks also focused on the role of civil society and academia but added that “they are in the position to create a **sense of urgency**” which he considered indispensable to solve structural issues.

“Brave New World”? Concepts and Strategies for a New Global Economic and Financial Order”

Dr. Kathrin Berensmann, Research Associate for global economy and development financing at the German Development Institute (DIE), Bonn, Germany.

Dr. Heiner Flassbeck, Chief of Macroeconomics and Development Policies Branch and Director of Division on Globalization and Development Strategies, UNCTAD, Geneva, Switzerland.

Jens Martens, Executive Director, Global Policy Forum Europe, Bonn, Germany.

Moderation: **Dr. Cornelia Ulbert**, Executive Director of the Institute for Development and Peace (INEF), University of Duisburg-Essen; Member of the Research Council of the United Nations Association of Germany (DGVN), Berlin.

Contributions highlighted that the global and financial crisis has led to a sense of urgency and a window of opportunity to tackle the symptoms of the crisis. At the same time, structural problems of the international financial system have rarely been addressed. The system has been designed according to economic theory which does not include long-term global imbalances between countries and a distortion of incentives structures. Fundamental reforms should address the international regulatory and supervisory framework, better coordination of macroeconomic policies and more democratic institutions. They should be guided not by the aim of simply ‘more’ regulation but ‘better’ regulation enhancing financial safety and stability. A ‘coalition of the like-minded’ and open and inclusive international fora were regarded as key to shape the international debate.

Dr. Kathrin Berensmann began her remarks with the assertion that we have not yet overcome the financial crisis. “The symptoms have been cured to some extent but the causes – the structural problems of the international financial system – have rarely been tackled.” She divided the main **causes of the global financial crisis** into two categories: **macroeconomic and microeconomic**.

- At the macroeconomic level, global imbalances created the macroeconomic conditions that enabled the crisis to emerge. They included wide saving-investment gaps in some major industrialized countries and current account surpluses and international reserve accumulation of some major emerging countries.
- At the microeconomic level, distorted incentive structures, weaknesses in regulation systems and supervision and failures of risk measurement and pricing were among the main causes.

Policy responses on the international level should strive for a **reform of the international regulatory and supervisory framework, better coordination of macroeconomic policies and international provision of liquidity**. In her conclusion she emphasized the difficulties reforms and policy solutions encounter which address root causes on the international level. Yet, they remain absolutely necessary.

Dr. Heiner Flassbeck on the contrary opened his presentation with the somewhat startling claim that “although the system is complex, there are easy ways out of the crisis”. Before he revealed his solution he talked about four central problems more in detail:

First, the ‘**international trade problem**’: Heiner Flassbeck explained that the system is designed according to theoretical assumptions that are unrealistic and do not exist without distortions (e.g. the role of free trade and comparative advantages). Furthermore, he argued that as we have no international financial system in place, the movement of currencies distort trade. Yet, as it is not in the theory it is constantly being ignored. Second, **global imbalances**: If current account deficiencies go together with a loss of competitiveness, then they become unsustainable. Third, **financial speculation**: Heiner Flassbeck used the example of Iceland to illustrate that high-inflation countries are the main targets for short-term capital investments, because they usually offer high interest rates. However, this is the opposite of what textbooks require. Countries with relatively high inflation need nominal devaluation to restore their competitiveness in goods markets, and those with low inflation need appreciation. Fourth, **permanent debt crises in developing countries**: While the theory acknowledges the need for a current account deficit it does not say anything about what happens when that becomes permanent and structural difference between surplus and deficit countries prevails.

As a solution, Heiner Flassbeck suggested to install a **system of managed flexible exchange rates** which aim for rates that are consistent with sustainable current account positions. As a consequence, this would curb speculations in currency markets which can trigger trade distortions.

Jens Martens announced to play the ‘expected’ role as the ‘the civil society representative’, and to refer back to inputs from the Roundtable and the first panel. He summarized **five principles of democratic governance**: First, inclusiveness (all countries affected have to be involved); second, fairness (large and small countries alike have a meaningful voice of international politics); third, accountability (those who take the decision have to be accountable to all affected); fourth, transparency (openness about decision-making processes) and fifth, effectiveness (decisions are transformed into effective results).

Yet, he found that none of the existing economic institutions would pass the democratic governance test which highlighted the **need for fundamental reform**. Referring back to the G20 and the proposed working groups on development and other issues, he stressed that those who are affected are not included into the decision-making process. “During the last decades a complex system of regulative measures has been established. Consequently, the key question is not regulation or deregulation but **good or bad**

regulation.” Jens Martens stressed that regulation is not good per se, but has to promote a social good as for instance sustainability. “The ‘**Stiglitz Commission**’ made some important recommendations which addressed a serious governance gap which is that there exists no international institution setting standards for accounting or taxation.”

Jens Martens said that the recommendations called for comprehensive transparency with regard to banks and companies which should report on how much they earn and on the taxes they pay. They sought to introduce more risk prevention, financial product safety and standards for rating agencies. “All in all, the Commission aimed to establish **financial safety and stability as a GPG**”.

The strategy to achieve these goals has to acknowledge that public discourses shape the rhetoric of governments. A ‘coalition of the like-minded’ in combination with open and inclusive fora can shape the international debate. As panellists before, Jens Martens drew the attention to the gap between a short-time crisis which comes along with attention and windows of opportunity but the need for more time to achieve structural changes and changes in discourses.



The panelists Kathrin Berensmann, Heiner Flassbeck and Jens Martens.

Dr. Cornelia Ulbert moderated the **Question and Answer Session** which brought to the fore another gap in global financial and trade governance: There are no mechanisms available to **control the power companies** exert in countries. While some contributions of the audience were very critical of the role “big” companies play in comparably “small” countries, other cautioned to not think in terms of *bad* companies vs. *good* states: Often, the cause for the lack of governance can lie in the countries themselves. Some of them profit from their status as tax heavens even if it is only in comparison to other counties in their region.

Heiner Flassbeck endorsed that the problem often lies in the economic structure of developing countries which allows for instance for monopolies of banks.



Question and Answer Session.

Changing Normative Orders and Institutional Structures in Security Governance

Prof. Mohammed Ayoob, Ph.D., Distinguished Professor of International Relations, Department of Political Science, James Madison College, Michigan State University, USA.

Prof. Dr. Christopher Daase, Member of the Executive Board, Head of Research Department "International Organizations and International Law", Peace Research Institute Frankfurt (HSFK), Professor for International Organizations at Frankfurt University in the framework of the Frankfurt Cluster of Excellence "The Formation of Normative Orders", Frankfurt a.M.

Prof. Dr. Winrich Kühne, Steven Muller Professor in German Studies, Johns Hopkins SAIS Bologna Center, Former Director of the Center for International Peace Operations (ZIF), Berlin.

Moderation: **Prof. Dr. Manuel Fröhlich**, Professor of Political Science at the Friedrich-Schiller-University, Jena, Germany, Member of the Research Council and the Board of the United Nations Association of Germany (DGVN), Berlin.

Panelists concurred that the understanding of security has changed profoundly since the end of the Cold War when security was still a state-centric notion. Concepts as human security and the responsibility to protect exemplify the trend to broaden the understanding of security. Today, peace is being subordinated to security and the threshold for the legitimate use of force is lowered. In the field, high expectations that have accompanied the liberal peace project increasingly turn into frustration. The panelists argued for more pragmatism with regard to time frames as well as goals and standards. Long-term perspectives would also allow for the better involvement of local structures and contexts.

Prof. Mohammed Ayoob in his presentation looked at dominant concepts and changes in the international peace and security discourse. He argued that rhetoric is often deliberately engineered and used to portray frameworks that either do not exist or stand on shaky ground. At the same time they always reflect existing power politics. He used three examples to underline his argument.

First, **collective security** and the decision on what constitutes a threat to collective security have always been dependent on existing power relations and the composition of the UN Security Council. Second, **humanitarian intervention**, in his opinion, is a concept often used to blend over national interests. Unless it involves mechanisms that are almost automatic and trigger international intervention, it remains an artificial construct which is still dependent on national interests and international consensus or action of some powers: "While it shows a change in rhetoric, the politics related to it are still dominated by the dynamics of great power politics."

Third, he pointed out that the concept of **nuclear non-proliferation** has been used to single out Iran. While other countries (e.g. Pakistan) have not been punished or threatened, Iran, as a country openly opposing the security



Mohammed Ayoob.

architecture of the 'West', remains the subject of international debates and sanctions. "As with the "War on terror" it raises the question whether there are no other - hidden - agendas...", he concluded.

"What is changing exactly and how are these changes to be assessed" were the questions **Prof. Dr. Christopher Daase** raised in his remarks. Peace and security have become core values of the international system as well as the belief that formal and strong institutions are needed to sustain peace. Yet, the **meaning of peace and security** has changed. Christopher Daase explained that until the mid-70s peace was perceived as the broader term involving the relationship of men and women, among societies, to neighbors and nature. "While peace required change, security promised stability. However, today security is the more visionary concept and peace the conservative notion."

Moving on he added that security not only refers to states anymore but includes societies and individuals and goes hand in hand with an expanded **understanding of security threats**. "Now, also risks remain unclear and in the future are categorized as security dangers legitimizing states to invade into societies and individual lives and potentially to compromise liberties for the sake of preventing danger before it emerges." Consequently he



found that peace is today being subordinated to security **Christopher Daase**.

which **lowers the threshold of the legitimate use of force**. As another trend Christopher Daase identified the **informalization of security policies** which implied a move away from formal institutions and disintegration through flexibilization. "While the ability to react flexible and fast to new challenges might be of benefit, these more informal arrangements are on the other hand more easily abandoned and promises might not be kept", he concluded.

Prof. Dr. Winrich Kühne focused on the "**crisis of the Liberal Peace**". In his view, the crisis can be regarded as a result of overall disappointment and frustration with peace-building undertakings. Countries as DR Congo and Afghanistan show the obvious failure of states and state-building efforts. In the field, time frames have been extended indefinitely and concepts do not provide the anticipated solutions but miss the local context on the ground. "Instead of acting coherently and confidently, international actors are paralyzed by doubts and helplessness." Winrich Kühne went into more detail and pointed out that solutions which are being put forward range from stopping peace-building altogether, going back to and building on traditional structures of societies to seeking stabilization instead of

democratization. “What remains as one of the key messages is that current peace-building is not **contextualized** enough.”

Winfried Kühne argued for a change of mind regarding time frames and standards. **Time frames** should be set more realistically and pragmatically and with a long-term perspective which might also allow for local capacities to engage and to play a bigger role in peace-building. Standards should be adapted to local contexts. Already happening in the field, this would imply to focus external engagement on core issues in the rule of law and other fields but to hand much more tasks over to locals.



Winfried Kühne and Moderator Manuel Fröhlich.

During the **Question and Answer Session** moderated by **Prof. Dr. Manuel Fröhlich** the question emerged how to solve the conflict between lower expectations and standards on the one hand and sending in Western troops that have to stick to their standards on the other. How to convince the public to support engagements and partners that do not follow our principles? Winfried Kühne clarified that long-term horizons and improved effectiveness were the key to sustained public support. All panelists agreed to an objection from the audience that more focus needs to be brought to so-called **low-burning conflicts**. Conflicts fuelled by drugs, weapons, terrorism and kidnapping which seem nationally contained generally attract little global attention but are becoming become serious threats to global peace and security.

Beyond MDGs - The Future of Development Policy and Politics

Eveline Herfkens, Special Advisor for the Millennium Campaign, United Nations Development Programme (UNDP), New York, USA.

Eva Jespersen, Deputy Director, Head of the NHDR Unit, United Nations Development Programme (UNDP), New York, USA.

Adolf Klope-Lesch, Head of the Strategy Unit „New Partnerships for global Development“, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, Eschborn, Germany

Claire Melamed, Program Leader, Growth and Equity, Poverty and Public Policy Group, Overseas Development Institute, London, UK.

Moderation: **Silke Weinlich**, Research Associate at the German Development Institute (DIE), Bonn, Germany, Member of the Research Council of the United Nations Association of Germany (DGVN), Berlin.

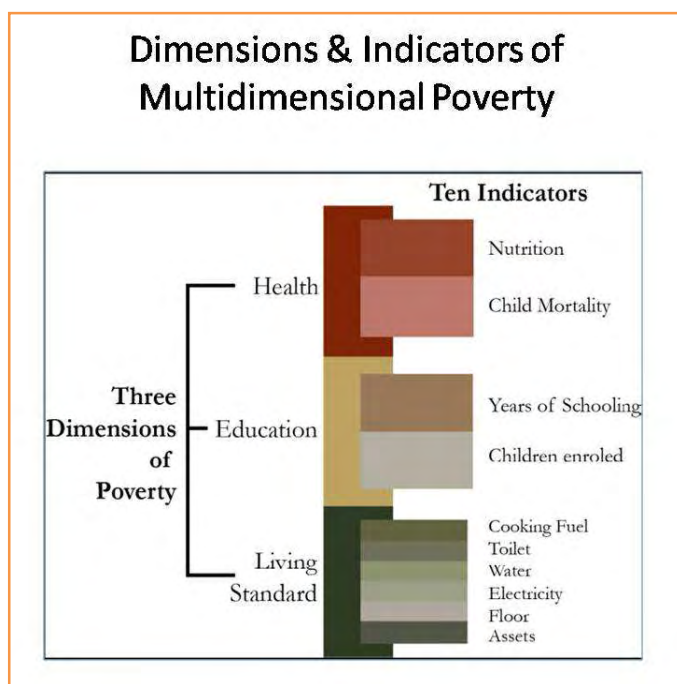
Panelists reviewed the MDG project and emphasized its importance for gathering international public support for development issues, raising money and awareness by telling a powerful story and putting a human face on development. At the same time they cautioned that the MDGs do not mirror the complexity and multi-dimensionality of development processes. While they highlighted certain sectors they might even have contributed to distorting priorities by neglecting political issues and environmental concerns. Thinking about a post-MDG agenda panelists urged to go beyond average values and to take inequalities into consideration that exist between and within countries. They stressed the importance of global leadership to create a new idea that would be able to stir public attention and carry financial support.

“The MDGs ignore complex issues (e.g. how to ensure inclusive, labor intensive growth or increase agricultural productivity), which today are widely acknowledged as critical to the achievement of the first goal, poverty reduction. Instead it encouraged simplistic stove-piped budgetary earmarks for the social sectors, while neglecting others, such as investment in rural development, energy and infrastructure.” With these words, **Eveline Herfkens** began her input. She then pointed out some of the achievements of the MDGs: Although the MDGs are not perfect, they were invaluable to change public attention by putting a **human face on development**. They were instrumental for educating people, garnering public support and establishing a high profile for development. “This support will be difficult to sustain in the coming years”, Eveline Herfkens cautioned. Firstly, because **leadership among donors** is missing, neither traditional ones as the European Union are as eager to take over leadership as some years ago, nor do new emerging donors follow in the footsteps. On the contrary, the latter chose their own path of development cooperation. Secondly, much depends on the **MDGs yielding results**. Yet, more aid effectiveness does not only depend on reforms of the aid systems and bringing down transaction costs, but more coherence with regard to other policy fields. Importantly, in the field of trade public subsidies need to be brought down and trade barriers need to be abolished. Thirdly, important topics such as inequality, which have been a taboo in large parts of the international development discourse, need to be brought to the fore as they hamper long-term growth.

Eva Jespersen gave some insights into trends of how human development is defined stressing that while the MDGs form an attractive and important point of reference to look at numbers, one should not forget that the development agenda behind them is much broader. Trends show that global overall progress in development is hampered by local variability and wide gaps between and within countries. “The UN tries to better take these conditions into consideration by introducing broader measurement sets as an inequality adjusted development index and a multi-dimensional poverty index which shall allow for a better understanding of what characterizes people’s living situation in poverty.” In her presentation she gave more information on the dimensions and indicators of the Multidimensional Poverty Index.

Eva Jespersen argued that development should be understood as promoting sustainable livelihoods: ensuring employment opportunities, mobility, rural development and managing urbanization. To promote empowerment, to diminish inequalities between different groups of societies and to balance mobility and migration issues were key challenges Eva Jespersen named. She suggested to translate this into ‘new economics of human development’ based on social justice and to include goals such as limiting and mitigating climate change, protecting opportunities for future generations and empowering institutions nationally and globally.

Adolf Klope-Lesch invited the audience to think about seven changes and challenges that should



Slide from Eva Jespersen's presentation.

be reflected when a new political project beyond the MDGs 2015 was to be designed. First, there has been a **change in the geo-political setting**. “While the MDGs still reflect a north-south paradigm not at least the financial crisis has shown that this simple dichotomy is no longer applicable. As discussions throughout the conference have shown, emerging powers and new donors need to be brought into the picture.” Second, in his mind the MDGs only reflected challenges to global public goods to some extent (e.g. fighting pandemics) but needed to put stronger emphasis on issues as state fragility and climate change. Third, arguing in the same lines as Eva Jespersen Adolf Klope-Lesch emphasized that development is more than overcoming absolute poverty and does not end at dollar questions. Instead, the **complexity**

and multidimensionality of development as an economic, social and political term should be reflected in the development project.

Fourth, as development policies were mainly focused on the bottom billions, large parts of societies in middle-income countries that still suffer severely from hunger and poverty would not feel addressed by the development discourse. Fifth, in times where former recipients are becoming donors and new (private) actors play a bigger role **development should become a global project** shared and sustained by contributions from all. Therefore, goals should look beyond aid and include other policy issues. Sixth, during the 1990s it was the large international UN conferences that shaped debate and created a momentum for the MDGs. Today, there are different 'theatres' of global governance as the G20 and the security council. Still, different discourses and approaches need to be brought together to act coherently. Seventh, politics is short-lived and political leaders do not like to follow in the footsteps of previous government. Yet, **global leadership** is needed.

Adolf Kloeke-Lesch suggested to launch new goals for 2030 which also reflect political dimensions and which are a common global project including rights and responsibilities for actors beyond the north-south divide. The UN with its moral authority and ability to convene should be a focal place, yet bottom-up approaches and local contextualization of the goals would have to be organized if the goals are to succeed.

Claire Melamed appraised the MDGs as a powerful story that has been successful in providing clarity and mobilizing the donor community. At the same time, she cautioned that the MDGs shone the spotlight on certain sectors and might even have contributed to distorting priorities. Also, as the MDGs are based on averages and partial results it remains unclear who is left out and what does not work on a national and local level. Thinking about the **post-MDG-agenda**, Claire Melamed focused on three steps: First, **move beyond averages**: "A new approach needs to move beyond the averages to allow the inequalities which underlie much poverty in the world today to be uncovered and tackled." Second, **learning from history** and looking at countries where extreme poverty has actually been ended. She referred to the European welfare state as the most successful example to date and suggested that some lessons might be transferable to poor countries or even middle-income countries that have the resources to choose a welfare state type model. Third, even beyond the MDGs, clarity for donors is needed and "a **new story** needs to be told to avoid aid fatigue and cynism in donor countries but make them want to participate and contribute instead." In her presentation she concluded with three more ideas:



Claire Melamed and a slide from her presentation.

During the **Question and Answer Session** moderated by **Silke Weinlich** worries, about where the money to finance a post-MDG-agenda should come from, were raised. Eveline Herfkens emphasized that with regard to OECD-DAC donors, budgets were not too small for the goal of spending 0.7 percent of GDP but that it was solely a **question of priorities**. “Additionally, we need political leadership to find new and innovative resources of finance”. Claire Melamed added that before worrying about constraints one should try to build attention: “Good and exciting **ideas can raise money**.” All panelists agreed that “ideas” are important in the field of development cooperation. Another aspect that came to the fore was the role of **India and China** and what the panelists thought about them still being ODA recipients. Here again, panelists pressed to think beyond averages and to bear in mind that the majority of poor people actually lives in middle-income countries.



Eveline Herfkens, Eva Jespersen, Moderator Silke Weinlich, Adolf Kloeke-Lesch and Claire Melamed during their discussion (from left to right).

Dr. Cornelia Ulbert sought to bring the discussions and presentations of the different panels together. She sorted her remarks according to **three broad topics** many discussions throughout the conference had revolved around: First, **power shifts** which lead to different governance mechanisms; second, and closely linked, **questions of legitimacy**: what kind of legitimacy and how to achieve it; and third, **coping with crises**.

Participants of the workshop took **two perspectives on power shifts**: On the one hand, a more **state-centric notion** identifies a power shift from the traditional western liberal democratic industrialized countries to a range of “emerging powers”. As a governance mechanism we witness different forms of ‘club governance’. “While concurring that we have moved beyond unipolarity some panelists claimed a ‘lack of leadership’ while others identified a multipolar power constellation”, Cornelia Ulbert said. On the other hand, a **multi-centric perspective** includes different types of non-state actors, e.g. NGOs and civil society, business actors, philanthropic foundations, into the analysis of today’s world politics. Importantly, several contributions called for a **broader understanding of power** not limiting it to economic and military power but including forms of “soft” or “moral power”. According to different sectors and problems the types of power salient for problem-solving vary. This leads to differing power-capacities of actors and diverse power constellations respectively.

Depending on the understanding of the world, different governance mechanisms come to the fore: Cornelia Ulbert enlarged on four governance-mechanisms which she sorted according to inclusivity and exclusivity on the one hand, and hierarchical and horizontal governance mechanisms on the other.

	Hierarchical	Horizontal
Inclusive	Institutionalised multilateralism	Multi-stakeholder models (e.g. public-private partnerships, forums)
Exclusive	Hegemony, selective multilateralism	Private self-regulation, club models

Source: Global Trends 2010, p. 15

“The **concept of legitimacy** had been a common theme in many of the discussions, either being explicitly addressed or lurking in the background of presentations, be it on effec-

tiveness or participation mechanisms and involvements of non-state actors”, Cornelia Ulbert went on. Understanding legitimacy as **socially constructed** leads to the core question if existing institutions, and the underlying order, rules and values that go along with it, are **looked upon as being “right” and legitimate**. Furthermore, an assessment of the performance of any organization or governance mechanism obviously depends on the type of legitimacy in mind: Scrutinizing input-legitimacy involves looking at participation and **who participates on what terms**. Output-legitimacy revolves around the questions **whether an institution delivers** and on what terms bearing in mind that political decisions are always about taking binding decisions for some type of collective (and not only regulative, but also re-distributive decisions).

As introduced by the overall theme of the conference Cornelia Ulbert identified the question **‘how to deal with crises’** as another core topic. Panelists had looked at this complex matter from different angles and Cornelia Ulbert sorted some of the core findings: She introduced several **factors influencing problem-solving capacities**, associated **negative repercussions** and lastly, **strategies to increase problem-solving capacities**.



Cornelia Ulbert.

Among the factors which influence problem-solving capacities is the logic of action which underlies an approach. While **individual rational action** might prove effective for realizing individual state-interests, it might have serious repercussions for collective action. As illustrated by the **‘tragedy of the commons’** individual rational action might lead to an overexploitation of public goods or a lack of their provision in the first place. Panelists suggested three strategies to increase problem solving capacities in this case: First, the **internalization of external effects** (e.g. through private property rights); second, **hierarchical regulation** on the state-level or international level and third, **innovative (horizontal) governance mechanisms** for the provision of (global) public goods.

Another important aspect which determines the capacities for problem-solving is **information processing**. Often, a problem is not perceived and classified as such or consequences of actions are not foreseen. To address the former, technical means of analysis and prognosis need to be improved. Overcoming the latter would require the **examination of long-term trends** and an institutionalization of discursive processes.

Just as important – and in many cases problematic – are **decision-making processes**. **Short-term time horizons** and ‘**groupthink**’ dominate the calculation of decisions. **Standard operating procedures** and ‘bureaucratic politics’ hinder ‘out of the box thinking’ and undermine spontaneous reactions to unexpected situations.

Lastly, during the discussions **values and cultural repertoires of action** were mentioned as factors having an impact on problem solving-capacities. Once they lead to a **de-coupling of problem-awareness and actual behaviour** this constitutes a serious challenge for collective action. To overcome this installment **re-interpreting problem-definitions** through discursive processes was highlighted as an important strategy adjusting definitions of problems compatible to existing cultural repertoires of action.

Cornelia Ulbert concluded the conference by thanking all participants for their dedicated participation and the fruitful discussions.



Impressions from the conference: Renate Mayntz and Jürgen Zattler (above left), the participants of the Panel on Global Economic and Financial Order (above right), Eveline Herfkens (below left) and other participants of the conference, among them Moderator Silke Weinlich.